

Regular Meeting

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| Agenda Item # | 6 and 7 |
| Meeting Date | December 11, 2006 |
| Prepared By | Wayne Hobbs & Karen Hampton |
| Approved By | Barbara B. Matthews City Manager |

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| Discussion Item | Proposed Resolutions Amending the City's 457 Deferred Compensation Plan to Permit Loans and Amending the City's 457 Deferred Compensation Plan Loan Guidelines to Permit On-Line Loans and ACH Debit |
| Background | <p>On November 27, 2006, the City Council discussed the possible amendment of the City's 457 Deferred Compensation Plan to allow loans by City employees. The following are the key provisions of the City's 457 Deferred Compensation Plan as currently structured:</p> <ul style="list-style-type: none"> • The 457 plan is a supplemental retirement plan that is optional for employees. • The money in this plan is managed by the ICMA Retirement Corporation. • All of the funds in the program belong to the employee. • A person can only access his/her funds after retirement or as an emergency withdrawal. Emergency withdrawals are highly restricted; they are subject to IRS regulations and must be approved by the City. <p>The provisions of the proposed loan program are described below:</p> <ul style="list-style-type: none"> • Loans would be permitted for any purpose. • An employees could take one loan per calendar year and have only one outstanding loan at a time. • Loans would be for a minimum amount of \$1,000. • Loans would be restricted to the lesser of \$50,000 or one-half of the participant's account balance. • Loans would be repaid within five years, except for loans for purchase of a principal residence which must be repaid within 20 years. • Rate of interest on loans of five years or less is prime plus 0.5%. For principal residence loans, interest is based on the FHA/VA rate. • Loan applications would be done on line • Repayment of loans would be by ACH debit. If the City authorizes loans to be made online for any purpose, the City is removed from any direct administrative involvement in the loan process, provided the City approves the recommended |

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| | <p>changes in the plan to restrict repayments to ACH debit.</p> <ul style="list-style-type: none"> • A participant would be required to take a loan before taking an emergency withdrawal. <p>At the conclusion of the November 27, 2006 worksession, the City Council authorized staff to proceed with the necessary steps to implement the proposed loan program. Towards that end, the City Council is asked to adopt two resolutions. The first resolution would amend the City's 457 Deferred Compensation Plan to permit loans. The second resolution would amend the City's 457 Deferred Compensation Plan Loan Guidelines to permit on-line loans and repayment by ACH debit.</p> |
| Policy | The City has authorized a Deferred Compensation 457 Plan as a supplemental retirement plan; it is optional for all employees of the City. |
| Fiscal Impact | None |
| Attachments | <p>Proposed Resolution to amend the City's 457 Deferred Compensation Plan to permit loans</p> <p>Proposed Resolution to permit on-line loans and repayment by ACH debit</p> |
| Recommendation | Staff recommends that the Council adopt the proposed resolutions. |
| Special Consideration | |

Introduced by:

RESOLUTION #

AMENDING THE CITY OF TAKOMA PARK, MARYLAND DEFERRED
COMPENSATION PLAN

ICMA-RC ACCOUNT # 302997

WHEREAS, the City of Takoma Park has employees rendering valuable services; and,

WHEREAS, the City of Takoma Park has established a deferred compensation plan for such employees which serves the interest of the City of Takoma Park by enabling it to provide reasonable retirement security for its employees, by providing increased flexibility in its personnel management system, and by assisting in the attraction and retention of competent personnel; and,

WHEREAS, the City of Takoma Park has determined that permitting participants in the deferred compensation plan to take loans from the Plans will serve these objectives.

NOW, THEREFORE, BE IT RESOLVED THAT the Plan will permit loans.

I, _____, Clerk of the City of Takoma Park do hereby certify that the foregoing resolution, proposed by the Mayor and Council of Takoma Park at a regular meeting thereof assembled this _____ day of _____, 2006 by the following vote:

Adopted this _____ day of September, 2006.

AYES:

NAYS:

ABSENT:

ATTEST:

Jessie Carpenter, CMC/AAE
City Clerk

Introduced by:

RESOLUTION #

AMENDING THE CITY OF TAKOMA PARK, MARYLAND
DEFERRED COMPENSATION PLAN
LOAN GUIDELINES TO PERMIT ONLINE LOANS AND ACH DEBIT

ICMA-RC ACCOUNT # 302997

WHEREAS, the City of Takoma Park has employees rendering valuable services; and,

WHEREAS, the City of Takoma Park has established a loan program under its deferred compensation plan for such employees; and,

WHEREAS, the City of Takoma Park has determined that permitting participants in the deferred compensation plan to make loan repayment by authorizing automatic debit (ACH) by ICMA-RC directly from their bank account will facilitate the efficient administration of such loans.

NOW, THEREFORE, BE IT RESOLVED THAT the Plan will permit on-line loans and will permit ACH debit repayments.

I, _____, Clerk of the City of Takoma Park do hereby certify that the foregoing resolution, proposed by the Mayor and Council of Takoma Park at a regular meeting thereof assembled this _____ day of _____, 2006 by the following vote:

ADOPTED this _____ day of September, 2006.

AYES:

NAYS:

ABSENT:

ATTEST:

Jessie Carpenter
City Clerk